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A Limited Liability Partnership Including Professional Corporations

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DUPLICATE

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OCT 02 2002

October 2, 2002

DELIVERY VIA COURIER TO MELLON BANK

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, D.C. 20554

Re: Joint Application of Lightyear Communications, Inc., Lightyear Telecommunications, LLC, and Lightyear Communications of Virginia, Inc., Transferors, and A.R.C. Networks, Inc. d/b/a InfoHighway and InfoHighway of Virginia, Inc., Transferees, for Authority Pursuant to Section 214 of the Communications Act of 1934, as amended, for Approval of a Transfer of Assets and Customers of an Authorized U.S. International and Domestic Carrier

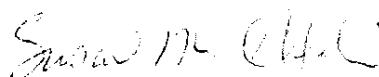
Dear Ms. Dortch:

On behalf of Lightyear Communications, Inc., Lightyear Telecommunications, LLC, and Lightyear Communications of Virginia, Inc. (collectively, "Lightyear") and A.R.C. Networks, Inc. d/b/a InfoHighway and InfoHighway of Virginia, Inc. (collectively, "InfoHighway"), **we** hereby submit an original and four (4) copies of their joint Section 214 Application for Approval of a Transfer of Assets and Customers. The joint applicants respectfully request streamlined processing of this Application.

The parties are filing a joint international and domestic Section 214 application. In compliance with 47 C.F.R. §63.04(b), the parties are submitting filing fees that satisfy (and are in accordance with filing procedures applicable to) both 47 C.F.R. §§1.1105 and 1.1107.

Please refer all questions and correspondence regarding this filing directly to the undersigned

Respectfully submitted,



Susan M. Hafeli
Counsel for A.R.C. Networks, Inc. d/b/a
InfoHighway and InfoHighway of Virginia, Inc.

Enclosures

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Lightyear Communications, Inc.,)	
Lightyear Telecommunications, LLC, and)	
Lightyear Communications of Virginia, Inc.,)	
Transferors, and)	
)	File No. _____
A.R.C. Networks, Inc. and)	
InfoHighway of Virginia, Inc ,)	
Transferees)	
)	
Application for Authority Pursuant to)	
Section 214 of the Communications Act)	
of 1934, as amended, for Approval of)	
Transfer of Assets and Customers of an)	
Authorized U.S. International and)	
Domestic Carrier)	

JOINT APPLICATION

Pursuant to Section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214, and Sections 63.03 and 63.18 of the Commission's Rules, 47 C.F.R. §§ 63.03 and 63.18, A.R.C. Networks, Inc. d/b/a InfoHighway and InfoHighway of Virginia (collectively, "A.R.C.") and Lightyear Communications, Inc., Lightyear Telecommunications, LLC and Lightyear Communications of Virginia, Inc. (collectively, "Lightyear" or "the Lightyear Companies"), by their attorneys, hereby request authority to transfer certain assets from the Lightyear Companies to A.R.C., specifically certain portions of Lightyear's customer base and accounts receivable, as set forth in more detail in the parties' Asset Purchase Agreement (hereinafter, "the Assets").

In accordance with Section 63.04(b), 47 C.F.R. § 63.04(b), which pertains to joint domestic and international applications, the parties provide below that information which is

responsive to Section 63.18, 47 C.F.R. § 63.1X. Information responsive to Section 63.04(a)(6)-(a)(12), 47 C.F.R. § 63.04(a)(6)-(a)(12), is set forth in Attachment A.

(a) Applicant identification

Transferees:

A.R.C. Networks, Inc. d/b/a InfoHighway FRN: 0004-3357-41
175 Pinelawn Road, Suite 408
Melville, NY 11747
Telephone: (631) 249-1616

InfoHighway of Virginia, Inc.
175 Pinelawn Road, Suite 408
Melville, NY 11747
Telephone: (631) 249-1616

Transferors:

Lightyear Communications, Inc. FRN: 0003-7731-32
c/o Lightyear Holdings, Inc.
1901 Eastpoint Parkway
Louisville, KY 40223
Telephone: (502) 244-6666

Lightyear Telecommunications, LLC FRN: 0003-7731-16
c/o Lightyear Holdings, Inc.
1901 Eastpoint Parkway
Louisville, KY 40223
Telephone: (502) 244-6666

Lightyear Communications of Virginia, Inc.
c/o Lightyear Holdings, Inc.
1901 Eastpoint Parkway
Louisville, KY 40223
Telephone: (502) 244-6666

(b) State of organization

A.R.C. Networks, Inc. is a corporation organized under the laws of the state of New York. InfoHighway of Virginia, Inc. is a corporation organized under the laws of Virginia.

Lightyear Communications, Inc. is a corporation organized under the laws of the state of

Kentucky. Lightyear Telecommunications, LLC is a Delaware limited liability company.

Lightyear Communications of Virginia, Inc. is organized under the laws of Virginia.

(c) Contacts persons for this Application

Correspondence concerning this application should be sent to Counsel for A.R.C.,

Glenn S. Richards
Susan M. Hafeli
Shaw Pittman LLP
2300 N Street, N.W.
Washington, D.C. 20037
Telephone: (202) 663-8215
Facsimile: (202) 663-8007

and Counsel for the Lightyear Companies,

William B. Wilhelm, Jr.
Douglas D. Orvis II
Swidler Berlin Shereff Friedman, LLP
3000 K St., NW, Suite 300
Washington, D.C. 20007
Telephone: (202) 945-6941
Facsimile: (202) 424-7645

The designated contact for the continuing operations of A.R.C. is:

Joseph Gregori, Chief Executive Officer
A.R.C. Networks, Inc. d/b/a InfoHighway
InfoHighway of Virginia, Inc.
175 Pinelawn Road, Suite 408
Melville, NY 11747
Telephone: (631) 249-1616
Facsimile: (631) 249-1801

The designated contact for the continuing operations of *the* Lightyear Companies is:

John Greive, Esq.
Lightyear Communications, Inc.
Lightyear Telecommunications, LLC
Lightyear Communications of Virginia, Inc
1901 Eastpoint Parkway
Louisville, KY 40223

Telephone: (502) 244-6666

Facsimile: (502) 515-4138

(d) Statement and description of Section 214 authority

A.R.C. currently holds Section 214 authority to operate as an international facilities-based and/or resale carrier between the United States and all foreign points. *See* File No. ITC-214-199601 16-00008; *see also* previous File No. ITC-96-032.

Lightyear Communications, Inc. currently hold Section 214 authority to operate as an international carrier between the United States and all foreign points. *See* File No. ITC-T/C-19980602-00368 (changing name from UniDial Communications, Inc.); *see also* previous File Nos. ITC-93-317 and ITC- 98-411-TC. Lightyear Telecommunications, LLC holds Section 214 authority to operate as an international facilities-based and/or resale carrier between the United States and all foreign points. *See* File No. ITC-214-19980506-00299 (changing name from Unidial Telecommunications LLC); *see also* previous File No. ITC-98-345.

(e) Statement regarding authorization

The Applicants herein request authority to transfer certain of Lightyear's customers and its accounts receivable, as defined in the parties' Asset Purchase and the Management Agreement attached thereto. The Asset Purchase Agreement has been approved by Order of the United States Bankruptcy Court for the Western District of Kentucky, Louisville Division (the "Bankruptcy Court"). *See, Order Pursuant to 11 U.S.C. §§ 105, 363, and 1146(c) and Bankruptcy Rules 2002 and 6004*, Case Nos. 02-32257, 02-32723, 02-32725, 02-32726 (August 23, 2002), a copy of which is attached hereto as Exhibit 1.

(f) Information regarding multiple authorizations

Not applicable.

(g) Statement for applicants requesting facilities-based authority

Not applicable.

(h) Ownership of Applicants

Transferees:

A.R.C. Networks, Inc.

A.R.C. is a wholly-owned subsidiary of ARC Networks, Inc., a Delaware corporation (“ARC-Parent”). The address of ARC-Parent’s principal business location is 175 Pinelawn Road, Suite 408, Melville, New York 11747.

ARC-Parent is a wholly-owned subsidiary of InfoHighway Communications Corporation (“ICC”), a Delaware corporation. The address of ICC’s principal business location is 175 Pinelawn Road, Suite 408, Melville, New York 11747.

The name, address, citizenship and principal business of those persons or entities holding more than 10 percent of the equity of ICC are as follows:

Shareholder:	GTCR Fund VII, L.P.
Ownership Percentage:	71.4 percent
Address:	200 W. Madison, 17 th Floor, Chicago, IL 60606
Citizenship:	Delaware limited partnership
Principal Business:	Private equity firm

GTCR Fund VII, L.P. has no direct or indirect shareholders that hold a ten percent or greater interest

InfoHighway of Virginia, Inc.

InfoHighway of Virginia, Inc. is a wholly-owned subsidiary of A.R.C. Networks, Inc., whose principal office address and direct and indirect ownership information is provided above.

Transferors:

Lightyear Communications, Inc.

Lightyear Communications, Inc., formerly known as UniDial Communications, Inc., is a wholly-owned subsidiary of Lightyear Holdings, Inc., a Delaware corporation. Lightyear Holdings, Inc. was formerly known as UniDial Holdings, Inc. The principal office address of Lightyear Holdings, Inc. is 1901 Eastpoint Parkway, Louisville, Kentucky 40223.

The name, address, citizenship and principal business of those persons or entities holding more than 10 percent of the equity of Lightyear Holdings, Inc. are as follows:

Shareholder:	J. Sherman Henderson
Ownership Percentage:	29%
Address:	Lightyear Holdings, Inc. 1901 Eastpoint Parkway Louisville, KY 40223
Citizenship:	U.S.A.
Principal Business:	Telecominunications
Shareholder:	Lightyear Partners, LLC
Ownership Percentage:	16 %
Address:	Lightyear Holdings, Inc. 1901 Eastpoint Parkway Louisville, KY 40223
Citizenship:	U.S.A.
Principal Business:	Telecommunications
Shareholder:	VarTec Telecom, Inc
Ownership Percentage:	15 %
Address:	1600 Viceroy Drive Dallas, TX 75235
Citizenship:	U.S.A.
Principal Business:	Telecommunications

Lightyear Telecommunications, LLC

Lightyear Telecommunications, LLC, formerly known as UniDial Telecommunications, LLC, is a wholly-owned subsidiary of Lightyear Holdings, Inc., a Delaware corporation, whose

principal office address is provided above. The name, address, citizenship and principal business of those persons or entities holding more than 10 percent of the equity of Lightyear Holdings, Inc. is also provided above.

*Lightyear Communications of **Virginia**, Inc.*

Lightyear Communications of Virginia, Inc., formerly known as UniDial Communications of Virginia, Inc., is a wholly-owned subsidiary of Lightyear Communications, Inc., a Kentucky corporation, whose principal office address is provided above. The name, address, citizenship and principal business of those persons or entities holding more than 10 percent of the equity of Lightyear Communications, Inc. is also provided above.

(j) Certification regarding affiliation with foreign carrier

Each Applicant hereto certifies that it is neither a foreign carrier nor affiliated with a foreign carrier.

(j) Certification regarding provision of international services to specified countries

Each Applicant hereto certifies that it does not seek to provide international telecommunications services to any destination country for which any of the statements in **47** C.F.R. § 63.18(j)(1)-(4) is true.

(k) Information regarding destination country

Not applicable.

(l) Information from, or statement by, a foreign carrier or an applicant affiliated with a foreign carrier

Not applicable.

(m) Regulator classification

Not applicable.

(n) Certification regarding special concessions

Each Applicant hereto certifies that it has not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future.

(o) certification pursuant to §§ 1.2001 through 1.2003 regarding denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988.

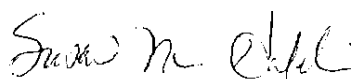
See Exhibit 2

Conclusion

For the reasons stated above, it is respectfully requested that the Commission grant this Application, and any other relief deemed appropriate

Respectfully submitted,

A.R.C. NETWORKS, INC.
INFOHIGHWAY OF VIRGINIA, INC.



Glenn S. Richards, Esq.
Susan M. Hafeli, Esq.
Shaw Pittman LLP
2300 N Street, N.W.
Washington, D.C. 20037

LIGHTYEAR COMMUNICATIONS, INC.
LIGHTYEAR TELECOMMUNICATIONS, LLC
LIGHTYEAR COMMUNICATIONS OF
VIRGINIA, INC.



William B. Wilhelm, Jr.
Douglas D. Orvis II
Swidler Berlin Shereff Friedman, LLP
3000 K St., NW, Suite 300
Washington, D.C. 20007

Dated: September 30, 2002

ATTACHMENT A

INFORMATION RESPONSIVE TO 47 C.F.R. § 63.04(a)(6)-(a)(12)

(a)(6) Description of the transaction

On June 14, 2002, the parties entered into Asset Purchase and Management Agreements (the “Agreements”). These Agreements provide for a multi-step transaction in which the Lightyear Companies will transfer to A.R.C. their customer base and accounts receivable (as defined in the Agreements).

Prior to the parties’ execution of the Agreements, the Lightyear Companies and their parent, Lightyear Holdings, Inc., had sought bankruptcy protection in the United States Bankruptcy Court for the Western District of Kentucky, Louisville Division (the “Bankruptcy Court”), and had been granted debtor-in-possession status under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq. Lightyear’s debtor-in-possession status necessitated approvals of the Agreements by the Bankruptcy Court. On August 23, 2002, the Bankruptcy Court issued its Order approving the Asset Purchase Agreement and sale, finding that approval and consummation of the sale of Lightyear’s Assets to A.R.C. was in the best interests of the Lightyear Companies and its parent, their creditors, and estates. *See, Order Pursuant to 11 U.S.C. §§ 105, 363, and 1146(c) and Bankruptcy Rules 2002 and 6004*, Case Nos. 02-32257, 02-32723, 02-32725, 02-32726 (August 23, 2002). A copy of this Order is attached to the Joint Application as Exhibit 1. As noted in Paragraph 8 therein, the Bankruptcy Court had previously approved the parties’ Management Agreement.

The approved Asset Purchase Agreement provides *for* two closings, both of which shall be made pursuant to the terms of the debtor-in-possession secured financing facility and the Bankruptcy Court’s May 20, 2002 Financing Order.’ At the first closing, the Lightyear

Companies will sell and transfer their accounts receivable (as defined in the Agreements) to a subsidiary of A.R.C., Lightyear Acquisition, Inc. ("Lightyear-AM"). **At** the second closing, the Lightyear Companies will sell and transfer to Lightyear-AM all rights, title and interest in the Lightyear Customers. In exchange: Lightyear-AM will pay an amount of up to \$1,900,000, less possible adjustments, plus an amount for the Accounts Receivables as calculated in accordance with the Agreements. The Lightyear Companies will then pay all proceeds from the sale to its lenders.

The transfer will be consummated upon receipt of all requisite regulatory filings and approvals. Upon Lightyear-AM's acquisition of the Assets, Lightyear-AM will assign all its rights and obligations under the Management and Asset Purchase Agreements to InfoHighway of Virginia, Inc. (with respect to Customers in the State of Virginia) and A.R.C. (with respect to all other Customers). **As** a result, InfoHighway of Virginia, Inc. and A.R.C. Networks, Inc. will be the entities providing telecommunications services to current Lightyear customers.

Consummation of this transaction will not result in a change in control of the parties or Lightyear's exit from any markets.

(a)(7) **A description of the geographic areas in which the transferor and transferee (and their affiliates) offer domestic telecommunications services, and what services are provided in each area**

The Lightyear Companies provide local and interexchange services throughout the United States. The transaction described herein affects certain Lightyear customers located in the jurisdictions of Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and Washington, D.C. In addition, a total of 24 customer locations in the states of California, Florida, Georgia, Illinois, Michigan, North

Carolina, Ohio, Tennessee, Texas, and Wisconsin; but primarily located in the above-referenced states, may be transferred.

A.R.C. is a non-dominant carrier that provides telecommunications services to small- and medium-sized business, residential customers, and government entities in more than 30 states.

A.R.C. is currently certificated to provide facilities-based and/or resold local exchange service in California, Connecticut, Delaware (conditional), the District of Columbia, Florida, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Texas, and Vermont. A.R.C. is also authorized, pursuant to certification, registration, or deregulation, to provide intrastate interexchange services in **Arizona** (interim authority), Arkansas, California, Connecticut, Delaware (conditional), Florida, Georgia, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, and Vermont. It intends to seek authority to provide intrastate interexchange services in Tennessee and Wisconsin.

(a)(8) Statement as to how the application fits into one or more of the presumptive streamlined categories in section 63.03 or why it is otherwise appropriate for streamlined treatment

This application is entitled to streamlined treatment pursuant to Section 63.03(b)(2) of the Commission's rules because (i) the transaction will result in the transferees, A.R.C. Networks, Inc. and InfoHighway of Virginia, Inc., having a market share in the interstate, interexchange market of less than 10 percent; (ii) the transferees, A.R.C. Networks, Inc. and InfoHighway of Virginia, Inc., will provide competitive telephone exchange services or exchange access services exclusively in geographic areas served by a dominant local exchange carrier that is not a **party** to

this transaction; and (iii) none of the applicants is dominant with respect to any service

(a)(9) Identification of all other Commission applications related to the same transaction

There are no other Commission applications related to this transaction. A.R.C. Networks, Inc. and InfoHighway of Virginia, Inc. will be filing the self-certification described in 47 C.F.R. § 64.1120(e)(1).

(a)(10) A statement of whether the applicants are requesting special consideration because either party to the transaction is facing imminent business failure

The applicants are not requesting special consideration because of the imminent business failure of either party

(a)(11) Identification of any separately filed waiver requests being sought in conjunction with the transaction

There are no separately filed waiver requests being sought in conjunction with the transaction

(a)(12) A statement showing how grant of the application will serve the public interest, convenience and necessity, including any additional information that may be necessary to show the effect of the imposed transaction on competition in domestic markets

A grant of this Application will serve the public interest, convenience, and necessity because it will promote competition in the provision of telecommunications services. Acquiring the Lightyear Assets will enable A.R.C. to expand its customer base, allowing it to increase revenues and thereby to compete more effectively in the telecommunications market. **As** the Bankruptcy Court recognized, A.R.C.'s acquisition of the Assets is in the best interest of Lightyear's lenders. It is also in the best interests of *the* affected **Lightyear** customers, who will be fully informed of the impending transfer and will have an adequate opportunity to select an alternate provider if they so choose. Those that elect *to* remain with InfoHighway will be

transferred, subsequent to the grant of this Application, to an established provider offering a range of high-quality telecommunications services to business and residential customers in more than 30 states.

EXHIBIT 1

ORDER

UNITED STATES BANKRUPTCY COURT
THE WESTERN DISTRICT OF KENTUCKY
LOUISVILLE DIVISION

x

In re:

Chapter 11

LIGHTYEAR HOLDINGS, INC., *ET AL.*

Case Nos. 02-32257, 02-32723,
02-32725, 02-32726

Debtors.

Hon. David T. Stosberg

**ORDER PURSUANT TO 11 U.S.C. §§ 105,363 AND 1146(c) AND
BANKRUPTCY RULES 2002 AND 6004 APPROVING (i) ASSET
PURCHASE AGREEMENT AND, (ii) SALE FREE AND CLEAR OF ALL
LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS, (iii) WAIVER OF
STAY PROVISIONS UNDER BANKRUPTCY RULE
SECTION 6004 AND GRANTING RELATED RELIEF**

Upon the motion (the "Motion") of Lightyear Communications, Inc., Lightyear Telecommunications, LLC and Lightyear Communications of Virginia, Inc.. debtors and debtors-in-pussession (the "Debtors") for the entry of an order pursuant to Bankruptcy Code Sections 105, 363 and 1146(c) and Bankruptcy Rules 2002 and 6004: (i) authorizing the sale, transfer and conveyance, subject to higher or better offer, of the Debtors' rights, title and interests in, and to, certain assets of the Debtors (the "Assets"), pursuant to **and** as more fully described and defined in that certain asset purchase agreement dated as of June 14, 2002 (the "Asset Purchase Agreement"), between the Debtors and Lightyear Acquisition, Inc. ("Turchaser"), substantially in the form annexed hereto as Exhibit "A", free and clear of all liens (including mechanics', materialmens' and other consensual or statutory liens), security interests and claims (including reclamation claims), whether or not allowable (as such terms are defined in the Bankruptcy Code), mortgages, pledges, restrictions, hypothecations, charges, indentures,

loan agreements, instruments, leases, licenses, options, rights of first refusal, contracts, offsets, recoupment, rights of recovery, judgments, orders, and decrees of any court or governmental entity and environmental, tax and other liabilities and claims, whether secured or unsecured, choate or inchoate, filed or unfilled, scheduled or unscheduled, noticed or unnoticed, recorded or unrecorded, contingent or non-contingent, liquidated or unliquidated, matured or unmatured, disputed or undisputed, or known or unknown, whether arising prior to or subsequent to the filing of the chapter 11 petitions in these cases, whether imposed by agreement, understanding, law, equity or otherwise (collectively the **'Liens'**), with all such Liens to be transferred, affixed and attached solely to the proceeds of sale; and (ii) granting other and further related relief; and due notice of the Motion and relief sought therein having been given to all parties entitled thereto as evidenced by the certificates of service filed with this Court; and upon the record of the hearing held before me on July 22, 2002 (the "Approval Hearing"), and based upon the pleadings, testimony of witnesses, if any, and arguments of counsel; and good and sufficient cause appearing to me therefor;

IT IS HEREBY FOUND, DETERMINED, ORDERED, ADJUDGED AND DECREED THAT:

1. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. § 157(b)(2)(A) and (N). The statutory predicates for the relief sought herein are Sections 105, 363 and 1146(c) of the United States Code, 11 U.S.C. §§ 101 *et seq.* as amended (the "Bankruptcy Code") and Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") 2002 and 6004.

2. Proper, timely and adequate notice of the Motion and the Approval Hearing have been provided in accordance with Section 102(1) of the Bankruptcy Code and Bankruptcy Rules

2002 and 6004, and no other or further notice of the Motion, the Approval Hearing or the entry of this Order is required.

3. The Motion be, and hereby is, granted in all respects.

4. **All** objections, if any, to the Motion or the relief requested therein that have not been withdrawn, waived or settled, are overruled on the merits.

5. The Debtors have full corporate power and authority, to execute the Asset Purchase Agreement and all other documents contemplated thereby and the sale of the Assets by the Debtors have been duly and validly authorized by all necessary corporate actions of the Debtors. No consents or approvals, other than entry of this Approval Order, are required for the Debtors to consummate the transactions provided for under the **Asset** Purchase Agreement.

6. The sale of the **Assets** reflects the Debtors' sound business judgment.

7. Approval of the Asset Purchase Agreement as provided for herein and consummation of the sale of the Assets are in the best interests of the Debtors, their creditors and estates. The Debtors have articulated good and sufficient business justification for the sale of Assets pursuant to Section 363(b) of the Bankruptcy Code outside of a **plan** of reorganization, in that, among other things:

- (a) In the absence of a prompt sale of the **Assets**, their value **will** steadily decline;
- (b) **A** sale pursuant to Section 363(b) is likely to produce a greater return to creditors in the Debtors' cases than if the Assets were sold in connection with a liquidating or reorganization plan, because the unavoidable delay and expense required to confirm such a plan would deprive the Debtors'

estates of the opportunity to realize the maximum value of the Assets available through an immediate sale; and

- (c) A sale of the Assets at this time **will** result in the highest possible sale price for the Assets and reflects the Debtors' sound business judgment.

8. A full and fair opportunity to submit higher or better offers was provided, and the Court has determined that the highest or best offer for the Assets was submitted by Purchaser, for a purchase price ("the Purchase Price") in the amount of up to \$1,900,000.00, less possible adjustments, plus the amount Purchaser shall pay for the Accounts Receivable more fully described and defined in the Asset Purchase Agreement and *in the* management agreements between the Debtors and A.R.C. Networks, Inc. and InfoHighway Virginia, Inc. (the "Management Agreements") previously approved by this Court.

9. The terms and conditions of the Asset Purchase Agreement are hereby approved in all respects pursuant to Section 363(b) of the Bankruptcy Code, the Purchase Price is fair and reasonable, and the Debtors and Purchaser are directed and authorized to immediately take such actions as are necessary to consummate and implement the Asset Purchase Agreement including but not limited to the sale of the Accounts Receivable, without further order of this Court.

10. The Debtors are hereby authorized to pay all proceeds received from the sale of the Accounts Receivable at the First Closing and the proceeds received from the sale of the Assets at the Second Closing to the Debtors' lenders pursuant to the terms of the debtor in possession secured financing **facility** and the Final Order Authorizing Secured Postpetition *Financing on a Super Priority Administrative Expense Basis Pursuant to Section 364(c) of the Bankruptcy Code, dated May 20, 2002.*

11. The Asset Purchase Agreement was negotiated, proposed and entered into by the parties thereto without collusion, in good faith, and from arm's length bargaining positions. Purchaser (being the entity approved by this Court as having submitted the highest or best bid after an opportunity for competitive bidding) is a good faith purchaser under Section 363(m) of the Bankruptcy Code and, as such, is entitled to the protections afforded thereby.

12. Purchaser will be acting in good faith within the meaning of Section 363(m) of the Bankruptcy Code in closing the transactions contemplated by the Asset Purchase Agreement, including, but not limited to, purchasing the Accounts Receivable, at any time after the entry of this Approval Order, unless a stay pending appeal is in effect at the time of any closing (including a closing on the purchase of the Accounts Receivable), and the ten (10) day stay otherwise in effect under Bankruptcy Rule 6004 is hereby waived and dispensed with with respect to the First Closing and Second Closing, as defined in the Asset Purchase Agreement.

13. The transfer of the Assets, including the Accounts Receivable, pursuant to the Asset Purchase Agreement (a) is or will be a legal, valid and effective transfers of property of the Debtors' estate to Purchaser, and (b) is or will vest Purchaser with all right, title and interest of the Debtors in and to the Assets free and clear of all ~~Liens~~ pursuant to Section 363(f) of the Bankruptcy Code.

14. With reference to Section 363(n) of the Bankruptcy Code, the consideration paid by Purchaser under the Asset Purchase Agreement was not controlled by an agreement among potential bidders at the Approval Hearing.

15. Pursuant to Sections 363(b) of the Bankruptcy Code, the Debtors are hereby authorized, empowered and directed to fully assume, perform under, consummate and implement the Asset Purchase Agreement, together with such additional instruments and

documents that may be reasonably necessary or desirable to implement the Asset Purchase Agreement and to take all further actions as may reasonably be requested by Purchaser for the purpose of assigning, transferring, granting, conveying and conferring to Purchaser, or reducing to Purchaser's possession, any or all of the Assets, or as may be necessary or appropriate to the performance of the obligations contemplated by the Asset Purchase Agreement without further order of this Court.

16 Pursuant to Sections 105(a) and 363(f) of the Bankruptcy Code, the Assets, including but not limited to the Accounts Receivable, shall be transferred to Purchaser and upon the First and Second Closings under the Asset Purchase Agreement, the Assets conveyed shall be free and clear of all Liens, whether arising prior to or subsequent to the commencement of this case, and whether imposed by agreement, understanding, law, equity or otherwise, with all such Liens to attach to the Purchase Price in the order of their priority, with the same validity, force and effect which they now have as against the Assets.

17. Except as expressly permitted in the Asset Purchase Agreement, all persons and entities holding Liens of any kind and nature with respect to any of the Assets, including but not limited to the Accounts Receivable, hereby are barred from asserting such Liens against the Assets, and the Purchaser and its successors or assigns.

18. All persons, landlords, utilities and corporations are hereby prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer all of the Debtors' right, title and interest in the Assets, including but not limited to the Accounts Receivable, to Purchaser as contemplated by the Asset Purchase Agreement.

19. Pursuant to Sections 105(a) and 363 of the Bankruptcy Code, other than as may specifically be provided in the Asset Purchase Agreement and the Management Agreements, all entities are hereby enjoined from taking any action against Purchaser, its designee or any affiliate thereof, to recover any claim which such entity has against the Debtors.

20. Purchaser shall not be liable for any claims against the Debtors except as may specifically be set forth in the Asset Purchase Agreement and the Management Agreements, and the transfers of the Assets by the Debtors to Purchaser pursuant to the Asset Purchase Agreement do not and will not subject Purchaser to any liability as a successor of the Debtors.

21. Except as may specifically be provided for in the Asset Purchase Agreement and the Management Agreements, Purchaser is not assuming nor shall it in any way whatsoever be liable or responsible, as successor or otherwise, for: (a) any liabilities, debts or obligations of the Debtors, or (b) any liabilities, debts or obligations in any way relating to or arising from the Assets or the Debtors' operation or use of the Assets.

22. As to the Asset Purchase Agreement and Assets transferred thereby, including but not limited to the Accounts Receivable, this Approval Order (a) is and shall be effective as a determination that, on the dates the Purchaser purchases the Accounts Receivable on the First Closing and purchases the remainder of the Assets on the Second Closing, all Liens existing as to the Accounts Receivable, as of the First Closing, and the remaining Assets, as of the Second Closing, shall be unconditionally released, discharged and terminated, and (b) is and shall be binding upon and govern the acts of at entities including without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, registrars of patents, trademarks or other intellectual property, administrative agencies, governmental departments, secretaries of state, federal, state and local officials and all other

persons and entities who may be required by operation of law, the duties of their office or contract, to accept, file, register or otherwise record *or* release any documents or instruments, or who may be required to report or insure any title or state of title in or *to* any of the Assets.

23. All entities who are presently, or may be, on the date of Second Closing as to the Assets, or on the First Closing as to the Accounts Receivable, in possession of some or all of the Assets are hereby directed to surrender possession of said Assets to Purchaser on the applicable date.

24. In order to permit for the smooth transfer of the Assets and to insure that Customers do not suffer any disruption in telecommunication services, MCI (WorldCom) shall, for a period of 120 days from the Second Closing continue to provide underlying long distance service to the Customers (as defined in the Management Agreements) at rates in effect as of the date of the earlier of this Court's order of July 23, 2002 (the 'Procedures Order'), conditioned on Purchaser's payment for these services in a timely manner, consistent ~~with~~ normal and customary business terms.

25. Each and every federal, state and local governmental agency or ~~department~~ is directed to accept any and all documents and instruments necessary and ~~appropriate~~ to consummate the transactions contemplated by the Asset Purchase Agreement.

26. This Court shall retain jurisdiction (i) to enforce and implement the terms and provisions of the Asset Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and all agreements executed in connection therewith, (ii) to compel delivery of the Assets to Purchaser, (iii) to compel delivery of the Purchase Price, (iv) to compel specific performance of the Debtors and Purchaser's obligations under the Asset Purchase Agreement, (v) to resolve *my* disputes arising under or related to the Asset Purchase Agreement, (vi) to

interpret, implement and enforce the provisions of this Approval Order, and (vii) determine any disputes relating to or concerning the receipt, use, Motion or retention of the proceeds from the sale of the Assets.

27. Nothing contained in any plan of reorganization or liquidation confirmed in this case or the order ~~of~~ *confirmation confirming* such plan shall conflict with or derogate from the provisions of the Asset Purchase Agreement or this Approval Order.

28. Nothing in this Approval Order provides for the assumption or assignment to Purchaser of any executory contracts between the Debtors and Venzon Communications, Inc. or any of its affiliates (collectively, "Venzon"), including any tariffs, interconnection agreements, access service requests or other agreements involving the provision of or access to telecommunication services, circuits or facilities.

29. The terms and provisions of the Asset Purchase Agreement, together with terms and provisions of this Approval Order, shall be binding in all respects upon, the Debtors, their estates and creditors, Purchaser, and its affiliates, successors and assigns, and any affected third parties including but not limited to entities asserting a claim against or interest in the Debtors' estates or any of the Assets to be sold to Purchaser pursuant to the Asset Purchase Agreement, notwithstanding any subsequent appointment of any trustee, **examiner**, responsible officer or similar entity for the Debtors (a "Debtors Successor/Representative") under my chapter of the Bankruptcy Code, as to which Debtors Successor/Representative such terms and provisions likewise shall be binding in all respects.

30. The Asset Purchase Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto in accordance

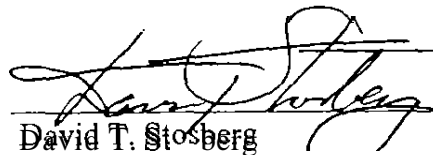
with the terms thereof without further order of this Court, provided that any such modification, amendment or supplement is not material.

31. The provisions of the Fed. R. Bank. P. 6004(g) and 6006(d) staying the effectiveness of this Approval Order for 10 days are hereby waived, and this Approval Order shall be effective immediately upon entry thereof.

32. Capitalized terms not defined in this Approval Order shall be as defined in the Asset Purchase Agreement.

33. The transfers of the Assets and the recordation of any and all instruments necessary to evidence the transfers, sale and assignments hereby authorized shall not be subject to transfer, recordation, stamp or similar tax, and are hereby deemed exempt from state and local transfer taxes pursuant to 11 U.S.C. § 1146(c).

Dated: August 23, 2002


David T. Stosberg
United States Bankruptcy Judge

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EXHIBIT 2

CERTIFICATIONS

SECTION 1.2001 CERTIFICATION

On behalf of Lightyear Communications of Virginia, Inc., Lightyear Telecommunications, LLC, and Lightyear Communications, Inc., and in accordance with Sections 1.2001-1.2003 of the Commission's Rules, 47 C.F.R. §§ 1.2001-1.2003, I hereby certify that Lightyear Communications of Virginia, Inc., Lightyear Telecommunications, LLC, and Lightyear Communications, Inc. are not subject to a denial of Federal benefits that includes FCC benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988. See 21 U.S.C. § 853(a)

By: _____

Name: JohnJ. Greive

Title: Secretary

Lightyear Communications of
Virginia, Inc.
Lightyear Telecommunications LLC
Lightyear Communications, Inc.

Dated: September 26, 2002

SECTION 1.2001 CERTIFICATION

On behalf of InfoHighway of Virginia, Inc., A.R.C. Networks, Inc.; ARC Networks, Inc.; and InfoHighway Communications Corporation; and in accordance with Sections 1.2001-1.2003 of the Commission's Rules, 47 C.F.R. §§ 1.2001-1.2003, I hereby certify that InfoHighway of Virginia, A.R.C. Networks, Inc., ARC Networks, Inc., and InfoHighway Communications Corporation are not subject to a denial of Federal benefits that includes FCC benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988. See 21 U.S.C. § 853(a).

By: Joseph A. Gregori, CEO

Name: Joseph Gregori

Title: Chief Executive Officer

InfoHighway of Virginia, Inc.
A.R.C. Networks, Inc.
ARC Networks, Inc.
InfoHighway Communications
Corporation

Dated: September 26, 2002

